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Statement of Rep. Christopher Shays June 7, 2005

Following the frugal maxim "One man's trash is another man's treasure," the Department of Defense (DOD) sells or donates equipment and commodities determined to be in excess of military needs. But now we find the Pentagon is throwing out a great deal of treasure with the trash, disposing of items at steep discounts through one program while other offices buy the same things new and at full price.

Problems in the DOD excess property system are chronic, dangerous and extensive. Three years ago, this Subcommittee discovered DOD continued to sell top-grade chemical protective suits on the Internet while military units were waiting to acquire exactly the same gear at ten times the on-line cost. In 2003, we revealed the indiscriminate sale of biological lab equipment by DOD without an assessment of the risks it might be used against us by terrorists. Today, the true scope, and costs, of systemic weaknesses in the surplus supply chain come into clearer view.

At the Subcommittee's request, the Government Accountability Office (GAO) extensively audited and tested DOD excess property systems. Their report, released this afternoon, finds substantial waste and inefficiency intractably embedded in sloppy, uncoordinated management and inventory control processes.

The numbers we will hear are staggering. Each year, DOD disposes of property that cost billions to acquire. Yet GAO found at least four hundred million dollars spent over two fiscal years on the purchase of items that need not have been bought at all because they were already paid for, and available, in that surplus pool. Many of the items here today fit that description: good-as-new or serviceable equipment that DOD sold to GAO for a fraction of the price it was paying to buy the same material.

This isn't just a matter of bad bookkeeping, lax management or weak inventory controls. These numbers measure major systemic weaknesses in critical combat support machinery. Waste on this scale affects our ability to meet the immediate needs of men and women in uniform. The four hundred million dollars spent on unneeded equipment could have bought body armor, medical supplies or more than 1700 fully armored HUMVEES to protect Coalition forces against deadly improvised explosive devices.

Simply put: DOD buys too much and then cannot with any accuracy track where the excess property is or who might need it. Once dropped into the multi-billion dollar slurry of the excess property system, good equipment can mix with bad, get left out in the rain or disappear altogether. Such an unaccountable system easily hides malfeasance and invites theft.

Some broken links in this clumsy and costly chain of custody are well known. For more than a decade, GAO has found that DOD asset visibility and inventory management weaknesses pose a high risk of waste, fraud and abuse. Now we know DOD's bargain basement is leaking badly, hemorrhaging on a scale that no business could tolerate.

The time is long past for standard approaches and marginal fixes to a fundamentally broken system. As supplier to the warfighter, and stewards of immense fiscal resources, DOD must have end-to-end visibility and control over the purchase, transportation, storage, use and final disposition of military inventory. Those who buy too much this year have to know they will pay a price when that equipment appears for sale on the Internet next year for one-tenth the acquisition cost.

We are grateful to the GAO team for an in-depth report on a very serious problem. And, we look to our DOD witnesses for a discussion of equally serious solutions.